

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 PM-04 NSC-05 SP-02 SS-15

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FM AMEMBASSY RABAT

TO SECSTATE WASHDC PRIORITY 6841

INFO AMEMBASSY ALGIERS PRIORITY

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AMEMBASSY NOUAKCHOTT PRIORITY

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C O N F I D E N T I A L RABAT 5218

E.O. 11652: GDS

TAGS: PFOR MO

SUBJECT: SAHARA: ECONOMIC ASPECTS

REF: A. MADRID 7512

B. RABAT 3465 (NOTAL)

C. RABAT 5216

1. REFTEL A REPORTS CURRENT INVOLVEMENT OF SPANISH ECONOMIC MINISTRIES IN SAHARA DISCUSSIONS, AND REFTEL C NOTES PRESENCE OF MOROCCAN OCP DIRECTOR GENERAL LAMRANI IN MADRID FOR CURRENT ROUND OF NEGOTIATIONS.

2. THERE HAS BEEN SPECULATION IN RABAT FOR SOME TIME AMONG THIRD COUNTRY ECONOMIC COUNSELORS THAT WHEN SERIOUS DISCUSSIONS BEGAN REGARDING FUTURE EXPLOITATION OF BU CRAA PHOSPHATE MINE, SAHARAN AGREEMENT COULD BE ASSUMED TO BE CLOSE. TO SPAIN, BU CRAA REPRESENTS \$200 - \$300 MILLION INVESTMENT IN EQUIPMENT AND INFRASTRUCTURE AND CURRENT FOREIGN EXCHANGE YIELD (OR SAVING) APPROACHING SAME LEVEL. TO MOROCCO,
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SAHARAN PHOSPHATE WOULD REPRESENT ACQUISITION OF AN 80

PERCENT MONOPOLY OF NON-US, NON-SOVIET WORLD RESERVES, ELIMINATION OF AN INCREASINGLY IMPORTANT COMPETITOR AND CONSOLIDATION OF MOROCCO'S ROLE AS EFFECTIVE PRICE-SETTER IN THE WORLD EXPORT MARKET AT A TIME OF RISING BUDGETARY AND BALANCE OF PAYMENTS CONCERNS IN CONSEQUENCE PRICE-SOFTENING IN WORLD PHOSPHATES MARKETS. AS WELL AS BU CRAA REPRESENTING SIGNIFICANT BARGAINING CHIP IN CURRENT PHASE OF TALKS, THERE IS OBVIOUSLY TOO MUCH AT STAKE ON BOTH SIDES TO PERMIT LEAVING QUESTION OF MINE'S FUTURE OPERATIONS UNTIL AFTER SPAIN'S FORMAL WITHDRAWAL FROM TERRITORY UNDER WHATEVER POLITICAL FORMULA.

3. AS REPORTED PARA 6 REF B, OCP DIRECTOR GENERAL LAMRANI WAS ASSERTING IN GUARDED PRIVATE CONVERSATION AS EARLY AS MID-JULY, THAT GOM HAD MADE FORMAL OFFER TO GOS REGARDING CONTINUED PARTICIPATION IN BU CRAA AS PART OF OVERALL SETTLEMENT AND THAT OCP WOULD HAVE "ABSOLUTELY NO PROBLEM" IN WORKING WITH SPANISH ON ANY BASIS ARRANGED BY POLITICAL LEADERSHIP. LAMRANI ADDED THAT HE BELIEVED SPANISH HAD OVEREXTENDED IN BUILDING AND OPERATING FACILITIES WITHOUT INTERNATIONAL PARTICIPATION. ONCE SAHARA ISSUE SETTLED, MOROCCO WOULD NOT HESITATE TO CONSIDER VARIOUS TYPES OF JOINT-VENTURE APPROACHES FOR EXPANDING BU CRAA OUTPUT. AT THAT TIME, HOWEVER, SPAIN WAS NOT YET READY TO TALK WITHDRAWAL, LET ALONE MINING CO-VENTURES.

4. IN PRESENT CIRCUMSTANCES, AND DISREGARDING FACT THAT SOME MAY THINK OCP IS ALSO "OVEREXTENDED" AT MOMENT WHEN SALES SOME 40 PERCENT BELOW PROJECTIONS, WE BELIEVE THAT NOTIONS OUTLINED IN JULY BY LAMRANI WHO IS FORMER FINMIN AND FORMER PRIMIN, LIKELY TO REPRESENT MOROCCAN APPROACH ON SETTling BU CRAA SIDE-ISSUE.
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